



Practical Wealth Creation Ideas

...for Simplified Financial Success™

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Guardians OF YOUR CAPITAL

How does the mutual fund industry protect the consumer against fraudulent or dishonest dealings within a fund? Provincial securities regulators have continued

to create legislation that provides the mutual fund investor with incredible protection, creating an industry with exceptionally high standards of investment integrity.

1. A custodian such as a bank or trust company keeps all securities and other assets held by a fund safe. The custodian ensures the fund's assets are kept separate from the fund company's other corporate operating assets. Therefore, if the operations of a fund company faced financial problems, or the fund manager went bankrupt, your investments would not be the least bit affected by these troubles.
2. Auditors are appointed to ensure the fund uses acceptable accounting procedures. This ensures that assets held within a fund add up to the stated value made available to the consumer every business day.
3. Investors have the option to exercise some control over the way their money is managed by meeting with

the fund company before a manager or auditor is replaced, or a change of investment objective is acted upon.

4. Excluding certain government securities, a fund may not hold more than 10% of its assets in any one issuer's securities, or more than 10% of any class or series of securities of any issuer. The investment portfolio must be disclosed to the investor at least annually.
5. All mutual fund managers must report regularly to all shareholders or unitholders to disclose a wide range of financial accounting data pertinent to their investment. This is to include annual account statements outlining the number and market value of shares or units purchased or redeemed, beginning from the time of the last statement provided—hence showing the total market value of your account.
6. Additional rules protect the investor in most cases, from problems that could develop by limiting a fund company's exposure, for example, to certain derivatives.
7. Standard performance data limits comparative confusion. Each company must provide a fund's compound annual return over one, three, five, and ten years or from inception, along with the information as to how these numbers were computed.